

## CHAMPVA POLICY MANUAL

CHAPTER 3  
SECTION 5.11  
TITLE: PHARMACY REIMBURSEMENT

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**AUTHORITY:** 38 CFR 17.270(a); 38 CFR 17.272(a)(b) and 17.274(a)

**RELATED AUTHORITY:** 32 CFR 199.4

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### I. POLICY

A. Drugs and medications, including "unlabeled or off label use", whether administered by a physician or obtained by prescription, are covered benefits when dispensed in accordance with the related authority and CHAMPVA policy, [Chapter 2, Section 22.1](#), *Pharmacy*.

B. CHAMPVA is a cost sharing program and the cost of covered pharmacy supplies is shared with the beneficiary. Upon satisfaction of the annual deductible requirement of \$50 per beneficiary or \$100 per family, CHAMPVA's cost share for covered pharmaceuticals is 75% of the allowable amount. Beneficiaries are responsible for the remaining 25% of the allowable amount and they are also responsible for charges associated with noncovered services. [38 CFR 17.274(a)]

1. CITI Program. Pharmacy services and supplies obtained through VA medical facilities under the CITI program are not subject to cost sharing or deductibles.

2. MbM (Meds by Mail) Program. Pharmacy services obtained through the MbM Program are not subject to cost sharing or deductibles.

C. For pharmacy submitted claims, the allowable amount for FDA (**Food and Drug Administration**) approved outpatient prescription drugs and medical requisites, such as, diabetic strips, syringes, and insulin, is limited to the AWP (**A**verage **W**holesale **P**rice) as reflected in the Drug Topic Red Book (a nationally recognized standard pricing list used by pharmacies) plus a \$3.00 dispensing fee or the negotiated price. The latest annual edition of the Drug Topic Red Book, as well as monthly updates must be used in determining the AWP.

1. CITI Program. Reimbursement is the lesser of the VA (**Veteran Affairs**) cost for the drug plus a \$5.00 dispensing fee or the average wholesale price plus a \$3.00 dispensing fee or the negotiated price, whichever is less.

2. MbM Program. Reimbursement is made to the Leavenworth CMOP for the actual VA cost of the drugs plus varying administrative costs.

3. MM (Medical Matrix Program). MM does not use Redbook as its drug pricing source, as a result MM is not subject to Redbook AWP plus \$3 dispensing fee pricing to determine an allowable amount. The MM allowable amount will be the lesser of the billed amount plus dispensing fee or the average wholesale price (AWP) plus \$3 dispensing fee. If MM negotiates an amount lower than both the AWP plus \$3 or the billed amount plus dispensing fee (sometimes referred to as "usual and customary"), this will be the allowed amount.

D. Allergy preparations are custom made in a laboratory and are not considered prescription drugs. Since the cost of these allergy preparations are not found in the Drug Topic Red Book, reimbursement will be based on the allowable charge methodology. The prevailing rate will include both the costs of the drug and the administrative fee.

E. Compounded prescriptions consist of two or more medications that are "compounded" or mixed together by a pharmacist to form one medication. The cost of the compounded drug will include the ingredients and the services of the pharmacist.

## II. POLICY CONSIDERATIONS

A. Double Coverage OHI (Other Health Insurance). When double coverage exists, the CHAMPVA payment will not exceed that which would have been paid in the absence of OHI. After deductibles have been met, the CHAMPVA payment usually covers all of the beneficiaries' OHI co-payment requirements. Benefits will not be paid until the claim has been filed with the OHI and an EOB (Explanation Of Benefits) issued (see [Chapter 3, Section 4.1](#), *OHI (Other Health Insurance)*).

B. CHAMPVA and HMO (Health Maintenance Organizations). Benefits will not be paid until the claim has been filed with the HMO. In the case of an HMO, CHAMPVA does not require documentation of the actual prescription cost to process the claim. The full HMO co-payment will be reimbursed to the beneficiary as long as it does not exceed what the CHAMPVA payment would have been in the absence of OHI.

C. CHAMPVA and Medicare. CHAMPVA is primary payer. Medicare does not currently have a prescription drug benefit and prescription drugs are not covered under the Medicare program (except in limited circumstances).

Note: Medicare will pay for some drugs or biologic products during an office visit that cannot be administered by the patient. Examples of these drugs are immunosuppressive agents for beneficiaries who have received organ transplants, erythropoietin for patients with renal disease who are undergoing dialysis and who have anemia, oral anticancer agents, and clotting factors for the treatment of hemophilia. In these instances, an EOB must be received from Medicare before payment can be made by CHAMPVA.

D. CHAMPVA and MM. MM is a pharmacy third-party biller with whom CHAMPVA has an agreement that allows MM to forward pharmacy claims electronically to CHAMPVA for processing and payment.

1. Beneficiaries who use MM pharmacies pay only their 25% cost share (after the outpatient deductible has been met).
2. Beneficiaries have no claims to file and cannot bill CHAMPVA for their cost share.
4. Beneficiaries are not eligible for MM if they have OHI with pharmacy coverage.

E. Ordering drugs and medications from Foreign Countries. Beneficiaries who reside in the United States and order their prescriptions from foreign countries are responsible for their deductible and cost share as indicated in Policy B. above. The requirements of [Chapter 2, Section 22.1](#), *Pharmacy*, will apply in all instances.

**\*END OF POLICY\***